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August 29, 2006

VIA ELECTRONIC MAIL & 1st CLASS MAIL SERVICE
The Honorable Charles L.A. Terreni
Chief Clerk
South Carolina Public Service Commission
Post Office Drawer 11649
Columbia, South Carolina 29211

RE: Application of Phone1, Inc. for a Certificate of Public Convenience and Necessity to Provide Resold and Operator Assisted Interexchange Telecommunications Services Within the State of South Carolina and for Alternative Regulation First Granted in Docket No. 95-661-C
Docket No. 2006-260-C, Our File No. 1212-11385

Dear Mr. Terreni:

Enclosed is the original and one (1) copy of a more current set of financial statements, supplementing Exhibit IV to the Application in the above referenced Docket.

Please acknowledge your receipt of this document by file-stamping the copy of this letter enclosed, and returning it in the enclosed envelope.

If you have any questions or need additional information, please do not hesitate to contact me.

With kind regards, I am

Yours truly,

John J. Pringle, Jr.

JJP/cr
enclosures
cc: Ms Kristin Marculaitis (via first class mail service, w/o attachment)
Monica Borne-Haab, Esquire (via first class mail service, w/o attachment)
Wendy Cartledge, Esquire/ORS Legal Department (via hand-delivery and electronic mail)
Ms. Christina Stutz/ORS Auditing Department (via hand-delivery and electronic mail)
F. David Butler, Esq. (via electronic mail service)

THIS DOCUMENT IS AN EXACT DUPLICATE OF THE E-FILED COPY SUBMITTED TO THE COMMISSION IN ACCORDANCE WITH ITS ELECTRONIC FILING INSTRUCTIONS.

PHONE1GLOBALWIDE INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2006

PHONE1GLOBALWIDE INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS

Rachlin Cohen & Holtz
Accountants * Advisors

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Phone1Globalwide, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Phone1Globalwide, Inc. and Subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Phone1Globalwide, Inc. and Subsidiaries as of March 31, 2006 and 2005, and the consolidated results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States.

The accompanying 2006 consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring net losses and has a significant deficit that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Rachlin Cohen & Holtz LLP
Miami, Florida
May 31, 2006

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PHONE1GLOBALWIDE INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2006 AND 2005

	2006	2005
ASSETS		
Current Assets		
Cash	$ 2,281,639	$ 1,004,110
Short-term investments	455,149	
Accounts receivable, less allowance for doubtful accounts of $169,000 and $130,600	1,638,301	1,409,435
Prepaid expenses and other current assets	345,512	519,014
Total current assets	4,720,601	2,932,559
Property and Equipment, Net	3,427,107	7,218,876
Intangible Assets	344,279	1,328,559
Deposits and Other	347,466	339,295
Total assets	$ 8,839,453	$ 11,819,289
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Convertible note payable, related party	$ -	$ 5,000,000
Accounts payable	1,076,956	537,790
Accrued expenses and other current liabilities	2,053,723	1,691,211
Total current liabilities	3,130,679	7,229,001
Commitments, Contingencies and Subsequent Events	-	-
Stockholders' Equity		
Preferred stock, $.001 par value; authorized 10,000,000 shares; issued and outstanding -0- shares	-	-
Common stock, par value $.001; 200,000,000 shares authorized; 155,340,496 and 144,778,423 shares issued and outstanding	155,340	144,778
Additional paid-in capital	148,253,388	138,016,275
Deficit	(142,699,954)	(133,570,765)
Total stockholders' equity	5,708,774	4,590,288
Total liabilities and stockholders' equity	$ 8,839,453	$ 11,819,289

See notes to consolidated financial statements.

PHONE1GLOBALWIDE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED MARCH 31, 2006 AND 2005

	2006	2005
Revenue	$16,044,916	$ 15,375,465
Costs and Expenses:		
Cost of sales	11,305,067	12,403,078
General and administrative	6,709,466	7,350,494
Marketing and promotion	1,726,805	1,016,087
Depreciation and amortization	4,140,259	5,741,155
Impairment of intangible assets	984,280	-
Operating Loss	(8,820,961)	(11,135,349)
Other Income (Expense):		
Interest expense, related party	(308,228)	(104,670)
Gain on settlement of vendor liability	-	223,535
Settlement of lawsuit	-	(99,485)
Other	-	(100,000)
	(308,228)	(80,620)
Net Loss	$(9,129,189)	$(11,215,969)
Loss Per Common Share – Basic and Diluted	$(0.06)	$(0.08)
Weighted Average Shares of Common Stock Outstanding	148,738,834	144,250,047

See notes to consolidated financial statements.

PHONE1GLOBALWIDE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

YEARS ENDED MARCH 31, 2006 AND 2005

	Series A 8% Convertible Preferred Stock		Common Stock		Additional Paid-in		Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Balance, March 31, 2004	-	$ -	$ 141,206,995	$ 141,207	$ 133,019,846	$ (122,354,796)	$ 10,806,257
Sale of Common Stock	-	-	3,571,428	3,571	4,996,429	-	5,000,000
Net Loss	-	-	-	-	-	(11,215,969)	(11,215,969)
Balance, March 31, 2005	-	-	144,778,423	144,778	138,016,275	(133,570,765)	4,590,288
Issuance of Common Stock for Settlement of Agreement	-	-	20,000	20	2,780	-	2,800
Issuance of Common Stock for Conversion of Debt	-	-	6,375,406	6,375	5,093,950	-	5,100,325
Sale of Common Stock	-	-	4,166,667	4,167	4,995,833	-	5,000,000
Issuance of Stock Options to Consultants	-	-	-	-	144,550	-	144,550
Net Loss	-	-	-	-	-	(9,129,189)	(9,129,189)
Balance, March 31, 2006	-	$ -	155,340,496	$155,340	$148,253,388	$(142,699,954)	$ 5,708,774

See notes to consolidated financial statements.

PHONE1GLOBALWIDE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2006 AND 2005

	2006	2005
Cash flows from operating activities:		
Net loss	$(9,129,189)	$(11,215,969)
Adjustments to reconcile net loss to net cash and cash equivalents used in operating activities:		
Issuance of stock options to consultants	144,550	-
Depreciation and amortization	4,140,259	5,741,155
Provision for doubtful accounts	31,424	96,000
Impairment of intangible assets	984,280	-
Gain on settlement of vendor liability	-	(223,535)
Changes in assets and liabilities:		
Increase in accounts receivable	(260,290)	(511,487)
(Increase) decrease in deposit and other assets	(10,209)	58,892
Decrease in prepaid expenses and other current assets	173,502	790,788
Increase (decrease) in accounts payable	539,166	(1,060,760)
Increase (decrease) in accrued expenses and other liabilities	465,637	(406,996)
Net cash and cash equivalents used in operating activities	(2,920,870)	(6,731,912)
Cash flows from investing activities:		
Purchase of short-term investments	(455,149)	-
Acquisitions of property and equipment	(346,452)	(3,300,883)
Payments received on notes receivable	-	647,839
Net cash and cash equivalents used in investing activities	(801,601)	(2,653,044)
Cash flows from financing activities:		
Proceeds from overdraft facilities	1,800,000	2,139,850
Payments on overdraft facilities	(1,800,000)	(2,139,850)
Proceeds from notes payable	-	5,000,000
Proceeds from sales of common stock	5,000,000	5,000,000
Net cash and cash equivalents provided by financing activities	5,000,000	10,000,000
Net increase in cash	1,277,529	615,044
Cash and cash equivalents at beginning of year	1,004,110	389,066
Cash and cash equivalents at end of year	$ 2,281,639	$ 1,004,110
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest (related party)	$ 236,688	$ 142,940

See notes to consolidated financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Description of Business

We are a United States based telecommunications company. We currently have three main switch facilities, one located in New York, NY, Dallas, TX, and the other in Miami, Florida. Our current primary telecommunications offerings are coin-sent and operator-assisted services from public payphones and wholesale carrier services. The Company maintains operating agreements to deliver services in many countries throughout the world using third-party networks.

Phone1Globalwide, Inc. formerly known as Globaltron Corporation and as Win-Gate Equity Group, Inc. (we or the "Company"), was reincorporated as a Delaware corporation on September 25, 2001. The Company was initially organized on May 17, 1996 in Florida, to locate and effect business combinations with existing businesses.

On January 21, 2000, the Company consummated a stock purchase agreement with all of the stockholders of Globaltron Communications Corporation, a Delaware corporation ("Globaltron" or "GCC") whereby the Company acquired 100% of the outstanding GCC shares. As a result, GCC became a wholly owned subsidiary.

On June 13, 2001, the Company acquired all of the outstanding common stock of Phone1, Inc., a Florida corporation ("Phone1"), a telecommunications marketing company, for 12 million restricted shares of our common stock. As a result, Phone1 became a wholly owned subsidiary.

On November 16, 2001, in connection with the formation of Phone1 Smart LLC, a limited liability company ("Phone1 Smart"), organized under the Delaware limited liability act, the Company entered into an operating agreement with MTG Interconnection LC ("MTG"), a Florida limited liability company. The Company owns 51% of the interests in Phone1 Smart. The 51% interest in Phone1 Smart is consolidated into the financial statements of Phone1Globalwide, Inc. Phone1 Smart has not provided any services during the fiscal years ended March 31, 2006 and March 31, 2005 and during the year ended March 31, 2006, Phone1 Smart was dissolved.

On March 22, 2006 a new subsidiary Phoneone Globalwide Sociedad Anonima ("Phoneone Costa Rica") was formed in Costa Rica. Phoneone Costa Rica was formed to handle the Company's Costa Rican operations. As of March 31, 2006, no revenues were generated.

Basis of Presentation

The consolidated financial statements include the accounts of Phone1Globalwide, Inc. and its wholly owned and majority owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less, when purchased, to be cash equivalents. At March 31, 2006, the Company held approximately $455,000 in certificate of deposits as restricted short-term investments to secure two letters of credit which expires July 2007 and September 2006.

Concentrations of Credit Risk

Cash

As of March 31, 2006 and 2005, $2,246,114 and $0 of cash, respectively, was located in GNB Bank Panama, a financial institution related by means of common control (see Note 6). The Company has not experienced any losses on its cash deposits. The Company maintains its cash and cash equivalents with financial institutions which from time to time, may exceed the federally insured limits. At March 31, 2006, approximately $404,000 was on deposit in excess of the federal depository insurance coverage limit. These balances are maintained with high quality financial institutions which management believes limits the risk.

Accounts Receivable

Trade accounts receivable are primarily from arbitrage sales and Phone1 coin services and operator services. The Company maintains an allowance for doubtful accounts at a level believed adequate by management to reflect the probable losses in the trade receivable due to customer default, insolvency, or bankruptcy. The provision is established by management using the customer credit history and other relevant factors, and is re-evaluated on a periodic basis. The allowance is increased by provisions to bad debt expense charged against income. All recoveries on trade receivables previously charged off are credited to the accounts receivable recovery account included in income, while direct charge-offs of trade receivables are deducted from the allowance.

Major Customer

During the fiscal years ended March 31, 2006 and 2005, the Company derived 56% and 55%, respectively, of its total revenues from one source. In addition, a contract with this major customer expires on December 10, 2007 and may not be renewed, which may have a material impact on the Company.

Property and Equipment

Depreciation and amortization are provided for in amounts sufficient to relate the initial cost of depreciable assets to operations over their estimated service lives. Leasehold improvements are amortized over the term of the respective leases or the service lives of the improvements, whichever is shorter. Leased property under capital leases is amortized over the term of the respective leases or over the service lives of the assets for those leases that substantially

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

transfer ownership. Other equipment is depreciated from three to five years. The straight-line method of depreciation is followed for substantially all assets for financial reporting purposes. Cost and accumulated depreciation of assets returned or retired are removed from the respective property accounts, and the gain or loss is reflected in the statements of operations. Repairs and maintenance are charged to expense as incurred.

Intangible Assets and Long Lived Assets

On July 20, 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 142, "*Goodwill and Intangible Assets.*" SFAS 142 is effective for fiscal years beginning after December 15, 2001.

The Company evaluates long-lived assets, including certain identifiable intangible assets held and used for possible impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors the Company considers important which could trigger an impairment include, but are not limited, to significant under-performance relative to projected operating results, significant changes in strategy for the Company's overall business, and significant industry or economic trends.

Beginning April 1, 2002, the Company no longer amortizes $1.3 million of intangible assets identified as trade name and trademarks as these assets have been determined to have an indefinite life. The Company has completed an annual impairment test as of March 31, 2006 of all intangible assets with indefinite lives. Based on the annual impairment test, an impairment loss of $984,280 was recorded due to the expected decline in cash flows from the current coin sent services business over the next two years. The remaining trade name and trademarks will be amortized for the remaining estimated life of the asset through December 2007.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated results of operations in the period that the tax change occurs. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

Advertising

The Company expenses advertising costs as incurred. Total advertising expense was approximately $125,000 and $343,000 for fiscal 2006 and 2005, respectively.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with U.S. generally accepted accounting principles generally requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the period. Future events and their effects cannot be determined with absolute certainty; therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the consolidated financial statements. Management continually evaluates its estimates and assumptions, which are based on historical experience and other factors that are believed to be reasonable under the circumstances.

Management believes that a higher degree of judgment or complexity may occur in estimating collectibility of accounts receivable, useful lives of assets, valuation allowances on deferred taxes and estimates relating to the outcome of pending litigation.

Fair Value of Financial Instruments

The respective carrying value of certain on-balance sheet financial instruments approximated their fair value. These instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued expenses. The Company estimates that the fair value of its financial instruments approximates the carrying value for these financial instruments at March 31, 2006 and 2005.

Stock Based Compensation

The Company has a stock-based employee compensation plan, (the Plan) which is described more fully in Note 13. The Company accounts for this plan under the recognition and measurement principles of APB Opinion No. 25, "*Accounting for Stock Issued to Employees,*" and related interpretations. No stock-based employee compensation cost is reflected in net loss, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net loss and loss per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123 (as amended by Statements of Financial Accounting Standards No. 148 ("SFAS 148"), "*Accounting for Stock-Based Compensation – Transition and Disclosure*"), to stock-based employee compensation (in thousands, except per share data):

	2006	2005
Net loss as reported	$ (9,129)	$(11,216)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards granted, net of related tax effects	(5,147)	-
Pro forma net loss	$(14,276)	$(11,216)
Basic and diluted loss per share - as reported	$(0.06)	$(0.08)
Basic and diluted loss per share - pro forma	$(0.10)	$(0.08)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock Based Compensation (Continued)

The Company grants stock options for a fixed number of shares to non-employees with an exercise price equal to at least 100% of the fair market value of the shares at the date of grant. The Company recognizes an expense in accordance with Statement of Financial Accounting Standards (SFAS) No. 123.

The above pro forma disclosures may not be representative of the effects on reported results of operations for future years as some of the options vest over several years and the Company may continue to grant options to employees.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2006: expected volatility of 229%; risk-free interest rate of 4.5%; and expected holding period of 3 years. There were no option grants made in March 31, 2005.

Net Loss Per Share

Basic loss per common share is based on the weighted average number of common shares outstanding. The total number of such weighted average shares was 148,738,834 and 144,250,047 for the years ended March 31, 2006 and 2005, respectively. Diluted loss per common share is based on the assumption that all dilutive potential common shares, preferred shares and dilutive stock options were converted at the beginning of the year. For the years ended March 31, 2006 and 2005, 10,800,000 and 2,909,000 options were not included in common stock equivalents because their inclusion would be anti-dilutive.

Revenue Recognition

During the years ended March 31, 2006 and 2005, the Company derived revenues from Phone1 services, arbitrage sales and operator assisted calling services.

Revenues from Phone1 services consist of direct dialed international and domestic long distance calls made from Phone1 enabled pay telephones. The Company does not own the payphones. The calls are routed through the Company's designated switching facilities and designated networks. The Company invoices the customers an amount, based upon the calls made. Arbitrage sales occur when the Company transports an international long distance call to a foreign destination where the Company does not maintain a facility. Revenues from operator assisted calling services occur when a customer uses a Phone1 enabled phone to make a collect call or with the use of a credit card.

The Company's revenue is earned from Phone1 services, arbitrage sales and operator assisted calls when the service is provided. The service is provided as the customer uses the minutes. The revenue is earned based upon the number of minutes used during a call and is recorded upon completion of a call. Revenue for a period is calculated from information received through the Company's designated network switches or based on information received from the Company's service providers.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In May 2005, the FASB issued SFAS No. 154, "*Accounting for Changes and Error Corrections, a Replacement of APB Opinion No. 20 and FASB Statement No. 3.*" SFAS 154 applies to all voluntary changes in accounting principle and requires retrospective application to prior periods' financial statements of changes in accounting principle. This statement also requires that a change in depreciation, amortization, or depletion method for long-lived, nonfinancial assets be accounted for as a change in accounting estimate effected by a change in accounting principle. SFAS 154 carries forward without change the guidance contained in Opinion No. 20 for reporting the correction of an error in previously issued financial statements and a change in accounting estimate. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not expect the adoption of this standard to have a material impact on its financial condition, results of operations, or liquidity.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "*Share-Based Payment.*" SFAS No. 123(R) is a revision of SFAS No. 123, "*Accounting for Stock-Based Compensation,*" and supersedes APB Opinion No. 25, "*Accounting for Stock Issued to Employees.*" Statement No. 123(R) will require the fair value of all stock option awards issued to employees to be recorded as an expense over the related vesting period. The statement also requires the recognition of compensation expense for the fair value of any unvested stock option awards outstanding at the date of adoption. This statement becomes effective the beginning of the first interim or annual reporting period that begins after December 15, 2005. We are currently evaluating the impact on our results from adopting SFAS No. 123(R), but expect it to be comparable to the pro forma effects of applying the original SFAS No. 123.

In December 2004, the FASB issued SFAS No. 153, "*Exchanges of Nonmonetary Assets, an Amendment of APB Opinion No. 29.*" SFAS No. 153 requires exchanges of productive assets to be accounted for at fair value, rather than at carryover basis, unless (1) neither the asset received nor the asset surrendered has a fair value that is determinable within reasonable limits or (2) the transactions lack commercial substance. This Statement is effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company does not expect the adoption of this standard to have a material impact on its financial condition, results of operations, or liquidity.

In December 2003, the Financial Accounting Standards Board issued FASB Interpretation Number 46-R "*Consolidation of Variable Interest Entities.*" FIN 46-R, which modifies certain provisions and effective dates of FIN 46, sets forth the criteria to be used in determining whether an investment in a variable interest entity should be consolidated. These provisions are based on the general premise that if a company controls another entity through interests other than voting interests, that company should consolidate the controlled entity. The Company believes that, currently, it does not have any material arrangements that meet the definition of a variable interest entity which would require consolidation.

Reclassifications

Certain amounts for 2005 have been reclassified to conform to 2006 classifications.

NOTE 2. GOING CONCERN CONSIDERATIONS

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company experienced a net loss of approximately $9,129,000 and used cash of approximately $2,921,000 in its operating activities for the year ended March 31, 2006. These factors raise substantial doubt about the Company's ability to continue as a going concern.

In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying consolidated balance sheets is dependent upon future profitable operations of the Company, which in turn is dependent upon the Company's ability to meet its financing requirements on a continuing basis, to maintain present financing, and to succeed in its future operations.

In response to the matters described in the preceding paragraphs, the Company intends to actively seek additional funding from a variety of sources, including potential issuances of Company's securities in one or more private transactions. Management believes that this additional financing will allow the Company to rigorously pursue its expansion efforts in the coming year and that this expansion will strengthen the Company's cash flow position to provide the Company with the ability to continue in existence. However, the Company is unable to predict whether it will be able to obtain such financing or, if obtained, that it will be on terms advantageous to the Company.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence, or any other adjustments that might result from the outcome of this uncertainty.

NOTE 3. PROPERTY AND EQUIPMENT

	Estimated Useful Lives (Years)	2006	2005
Telecommunication equipment	3-5	$ 19,689,962	$19,570,499
Software	3	4,160,319	4,028,509
Office equipment and furniture and fixtures	3-5	1,253,417	1,171,784
Leasehold improvements	Primary term of lease	83,181	69,634
		25,186,879	24,840,426
Less accumulated depreciation		(21,759,772)	(17,621,550)
		$ 3,427,107	$ 7,218,876

Depreciation and amortization expense was approximately $4,140,000 and $5,741,000 for the years ended March 31, 2006 and 2005, respectively.

NOTE 4. NON-CASH INVESTING AND FINANCING ACTIVITIES

For the year ended March 31, 2006, the Company entered into the following non-cash transactions:

On August 31, 2005, Winside Investments S.A. exercised its rights to convert the entire principal amount of its $5,000,000 loan to the Company dated September 30, 2004 (as amended on June 30, 2005) and interest in the amount of $100,325 into common stock of the Company at the conversion price of $.80 per share or 6,375,406 shares of common stock of the Company.

For the year ended March 31, 2005, the Company entered into the following non-cash transactions:

On November 8, 2004, the Company amended its license agreement dated June 22, 2002 with QuorTech. Pursuant to the amendment, the Company paid QuorTech $85,000 and the parties released each other from claims arising from the license agreement, with certain exceptions. As part of the amendment, the price of certain products was reduced and the term of the license agreement was extended until June 30, 2008. As a result, the Company recorded a gain on settlement of vendor liability in the amount of $223,535 during the fiscal year ended March 31, 2005.

NOTE 5. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2006	2005
Accrued contingencies	$ 557,958	$ 706,614
Accrued professional services	401,775	358,662
Accrued payroll	180,197	262,847
Accrued interest	-	27,918
Deferred revenue	384,323	-
Other accrued liabilities	529,470	335,170
	$2,053,723	$1,691,211

NOTE 6. LOANS PAYABLE AND OTHER TRANSACTIONS – GNB BANK (RELATED PARTY)

During the three months ended June 30, 2004, the Company borrowed $1,279,000 under an overdraft facility with GNB. On May 26, 2004, the outstanding balance under this facility was paid with the proceeds from the sale of shares of the Company's common stock to Winside Investments. See Note 13.

On September 30, 2004, the Company paid $860,850 that it had drawn under another overdraft facility with the proceeds from a loan obtained from Winside Investments. See Note 4.

On September 30, 2004, GNB purchased from HTH 38,352,715 shares of the common stock of the Company which it sold back to HTH on April 8, 2005. Following this transaction, GNB owned no shares of the Company and HTH remained the Company's largest shareholder. As of March 31, 2006, HTH owned 120,976,103 shares of common stock, representing approximately 78% of the shares of the Company.

NOTE 6. LOANS PAYABLE AND OTHER TRANSACTIONS – GNB BANK (RELATED PARTY) (Continued)

On July 11, 2005, the Company obtained a Credit Facility from GNB of up to an aggregate amount of $2,000,000 at an interest rate of Citibank prime rate plus 2%. The Credit Facility maturity date which was originally on December 31, 2005 was extended until January 15, 2005. The Company had drawn down $1,800,000 under this Credit Facility. On January 23, 2006, the Company paid the outstanding balance on the credit facility with the proceeds from the sale of the Company's common stock to HTH. See Note 13.

NOTE 7. LOANS FROM WINSIDE INVESTMENTS (RELATED PARTY)

On September 30, 2004, the Company entered into a loan agreement with Winside Investments S.A. ("Winside") in the aggregate principal amount of $5,000,000 plus interest at Citibank N.A.'s prime plus 2.25%. The principal amount was agreed to be disbursed to the Company in installments, as follows: (i) $1,500,000 on September 30, 2004, (ii) $1,000,000 on October 15, 2004, (iii) $1,000,000 on November 15, 2004 and (iv) $1,500,000 on December 15, 2004. All the installments were disbursed by the lender on the scheduled installment date, except for the November 15, 2004 installment which was disbursed to the Company on December 15, 2004 (together with the last installment under the loan agreement). The maturity date which originally was June 30, 2005 was extended until September 30, 2005.

On August 31, 2005, Winside exercised its rights to convert the entire principal amount of $5,000,000 and interest in the amount of $100,325 into common stock of the Company at the conversion price of $.80 per share, pursuant to the provision of the Loan Agreement dated September 30, 2004, as amended on June 30, 2005. As a result of the conversion, Winside currently holds 12.57% of the shares of common stock of the Company based on the number of shares of common stock outstanding as of March 31, 2006.

NOTE 8. LETTERS OF CREDIT

On July 7, 2005, the Company established a Letter of Credit with Bank United in the amount of $150,000 for the benefit of Sprint Communications Company, L.P. The Letter of Credit is secured by a $150,000 Certificate of Deposit with an annual interest rate of 3.64%. The Letter of Credit expired on July 7, 2006. Subsequent to fiscal year ended 2006, the Letter of Credit was renewed for an additional year.

On August 31, 2005, the Company established a Letter of Credit with Bank United in the amount of $300,000 for the benefit of Telecom Italia. The Letter of Credit is secured by a $300,000 Certificate of Deposit which was established on October 20, 2005 with an annual interest rate of 3.75 %. The Letter of Credit expires on September 6, 2006.

NOTE 9. INCOME TAXES

The Company has no current income tax expense because of a tax net operating loss for the years ended March 31, 2006 and 2005. The Company has not recorded a deferred tax benefit because of a valuation allowance, which completely provides for the deferred tax assets. The valuation allowance is recorded to reduce the total deferred tax assets to an amount that will more likely than not be realized.

The following table summarizes the differences between the Company's effective tax rate and the statutory federal rate as follows:

	2006	2005
Standard federal rate	(35.0)%	(35.0)%
Increase (decrease) in tax resulting from:		
Nondeductible items	(0.7)%	15.0%
State taxes, net of federal tax benefit	(4.9)%	(4.0)%
Joint venture assets writedown	(12.9)%	-
Intangible assets impairment	3.8 %	-
Valuation allowance	49.7%	24.0%
Effective tax rate	-	-

Deferred tax assets are comprised of the following at March 31:

	2006	2005
Deferred tax assets (liabilities):		
Write-down of investments	$ -	$ 136,150
Reserve on deposits	19,450	19,450
Stock compensation	112,952	112,952
Allowance for doubtful accounts	65,723	50,827
Other accruals and reserves	445,708	263,865
Depreciation	(223,690)	(513,353)
Net operating loss carry forwards	29,074,789	24,900,816
Capital loss carry forwards	20,696	-
Total deferred tax assets	29,515,628	24,970,707
Less valuation allowance	(29,515,628)	(24,970,707)
Net deferred tax asset	$ -	$ -

Because of the Company's lack of earnings history, the net deferred tax assets have been fully offset by a 100% valuation allowance. The valuation allowance for net deferred tax assets was approximately $30 million and $25 million as of March 31, 2006 and 2005, respectively. The net change in the total valuation allowance was approximately $4.5 million and $2.0 million for the years ended March 31, 2006 and 2005, respectively.

At March 31, 2006, the Company had net operating loss carry forwards for federal tax purposes of approximately $74,740,000 that expire in varying amounts through 2021. Under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), the utilization of net operating loss carryforwards may be limited under the change in stock ownership rules of the Code. In addition, the Company has capital loss carryforwards for federal tax purposes of approximately $53,000 that expire in 2011.

NOTE 10. LEASE COMMITMENTS

Future minimum payments, by year and in the aggregate, under an operating lease for office space and lease for equipment rack space with remaining terms in excess of one year as of March 31, 2006, are as follows:

Year ending March 31:	
2007	$ 484,000
2008	495,000
2009	368,000
2010	233,000
Total minimum lease payments	$1,580,000

Rent expense was approximately $451,000 and $487,000 for the years ended March 31, 2006 and 2005, respectively.

NOTE 11. SETTLEMENT OF SERVICE AGREEMENTS AND CLAIMS

Phone1Globalwide, Inc. v. Chalom Arik Meimoun and Next Telecommunication, Inc. a/k/a Next Communication, Inc.: On March 15, 2004, the Company filed suit against Meimoun and Next in the Eleventh Judicial Circuit in and for Miami-Dade County, Florida, seeking damages for breaches of two loan agreements and related promissory notes and indemnification agreements, fraud in the inducement regarding those same documents, and unjust enrichment. Contemporaneous with filing its complaint, the Company also sought prejudgment writs of garnishment of certain funds held by two different banks for Meimoun and Next. The Company sought damages in excess of $1,000,000, which sum was comprised of (1) a refund of loans made to Meimoun and Next; (2) accrued interest, and (3) legal fees and costs. Before Meimoun and Next answered the Company's complaint, the parties amicably settled the matter on or about April 21, 2004 for the receipt of $960,000 and approximately $155,000 for services received by the Company from Next.

On April 15, 2002, Phone1 entered into an agreement with APC Development Corp. & H. Weaver Jordan ("third parties") for consulting and engineering services. Under the agreement, the third parties were responsible for providing engineering services for network interface testing and system evaluations, prototype design and testing services for products and for the design and translation between LECs and IXCs systems that operate Coin Operated System and Regulated Payphones Systems. The third parties filed a claim against Phone1 on March 18, 2004, claiming that Phone1 breached the payment terms on the consulting and engineering services agreement, which in effect is a claim for non-payment of invoices. Additionally, they claimed that because of the lack of payments and monies owed by Phone1, they were no longer required to comply with the terms and conditions of the contract; including the terms of the agreement relating to the technology developed under the consulting and engineering services agreement. On April 19, 2004, Phone1 filed an affirmative defense and a counter-claim against the third parties. Phone1's counter-claim alleges that the third parties breached the consulting and engineering services agreement by not providing services that were paid for by Phone1. Additionally, Phone1 alleges

NOTE 11. SETTLEMENT OF SERVICE AGREEMENTS AND CLAIMS (Continued)

that the third parties failed to deliver to Phone1 any schematics, drawings or equipment that was developed and/or prototype equipment that was developed as outlined in the consulting agreement. On February 7, 2005, the Company settled the lawsuit with APC Development Corp. & H. Weaver Jordan, and, as a result, the Company recorded an expense of $30,000 in the year ended March 31, 2005.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Service Agreement

On April 4, 2002, the Company terminated a telecommunications service agreement with a vendor, pursuant to which the vendor agreed to release the Company of all claims for the outstanding balance owed to the vendor and the execution of a new co-location agreement with the vendor. The Company did not incur any penalties as a result of the early termination. The Company entered into a new agreement with the vendor for equipment racks to house the Company's equipment. Under the new agreement, the Company was required to pay for services totaling $768,000 at a rate of $19,200 per month, through August 9, 2005. On July 13, 2005, the Company amended its agreement with the vendor. Under the amended agreement, the Company would pay a total of $475,200 at a rate of $13,200 per month starting August 9, 2005 through August 9, 2008.

On August 1, 2005, the Company entered into an agreement with a vendor for a co-location space for the purpose of hosting the Company's equipment and connecting to other communications networks. Under the agreement, the Company would pay a total of approximately $138,000 starting August 9, 2005 through August 9, 2008.

The Company has, in the ordinary course of business, several disputes with telecommunication carrier companies relating to services wrongfully charged, including a dispute with a vendor for certain charges for services never received or used. The Company is currently in conversation with several vendors to resolve the difference in existing charges.

Employment Agreements

The Company has entered into employment agreement with certain officers of the Company. The employment agreements provide that in the event of the Company's material breach or termination of the executive's employment during the term of the agreement, without cause, in the event of a change of control (as defined in the agreements) or by the executive, with good cause (as defined in the agreements), the executive shall be entitled to receive as severance pay a lump sum of up to two years of salary. The executives are entitled to bonuses, to the extent determined by the Board of Directors, and to participate in the Company's stock option and other compensatory and benefit plans established for the benefit of employees. The executives have also assigned to the Company all of their rights to inventions created by them during the course of their employment, and the agreements contain one-year restrictive covenants following termination of the agreement, restricting them from competing against the Company or soliciting our employees.

NOTE 12. COMMITMENTS AND CONTINGENCIES (Continued)

Employment Agreements (Continued)

On February 9, 2005, Syed Naqvi ("Naqvi") and the Company executed an amendment to the employment agreement by and between Naqvi and the Company dated as of November 21, 2002 and amended on January 1, 2003 and further amended on December 29, 2004 (the "CFO Employment Agreement"). Naqvi is the Chief Financial Officer of the Company. The CFO Employment Agreement had a term ending on April 1, 2005 (subject to automatic renewals for successive one-year terms, unless either the Company or CFO notifies the other in writing at least thirty (30) days prior to the end of the then current term that it or he does not intend to renew the employment term). The amendment, executed by CFO and the Company on February 9, 2005, changed the date of termination from April 1, 2005 to April 1, 2007 and set the base salary of the CFO at $255,000 per annum.

On February 14, 2005, Dario Echeverry ("Echeverry") and the Company executed an amendment to the employment agreement by and between Echeverry and the Company dated as of December 4, 2002, as amended on January 1, 2003 and further amended on December 29, 2004 (the "CEO Employment Agreement"). Echeverry is the Chairman of the Board of Directors and the Chief Executive Officer of the Company. The CEO Employment Agreement had a term ending on June 1, 2005 (subject to automatic renewals for successive one-year terms, unless either the Company or Executive notifies the other in writing at least ninety (90) days prior to the end of the then current term that it or he does not intend to renew the employment term). The amendment, executed by Echeverry and the Company on February 14, 2005, changed the date of termination from June 1, 2005 to April 1, 2007, reduced the notice requirement for renewal of the CEO Employment Agreement from ninety to thirty days and set the base salary of the CEO at $255,000 per annum.

On April 30, 2004, the Company entered into an employment agreement with Louis Giordano, one of the Company's directors, for an annual base salary of $240,000. The expiration date of the agreement was April 30, 2005. On April 12, 2005, the Company entered into a separation letter with Louis Giordano, who had served as President of the Company and was to continue serving as Director of the Company until May 31, 2005. Under the terms of the separation letter, Giordano's employment with the Company was terminated effective March 31, 2005 (the "Separation Date") and all further compensation, remuneration, bonuses and options terminated on the Separation Date. The Company paid the sum of $120,000 to Giordano on April 12, 2005. As a result, the Company recorded an expense of $120,000 in the year ended March 31, 2005. On May 2, 2005, the Company received notice and thereby subsequently accepted the resignation of Louis Giordano as a Director.

Effective June 1, 2005, the Company entered into an employment agreement with Oliverio Lew, as general counsel of the Company. The expiration date of the agreement is June 1, 2007. The agreement provides for an annual base salary of $255,000.

On April 14, 2006, Federico Fuentes ("Fuentes") and the Company executed an amendment to the employment agreement by and between Fuentes and the Company dated as of January 1, 2003, as amended on April 27, 2005. Fuentes's title was changed from Chief Technology Officer to Director of International Operations and his base salary was changed from $220,000 to $198,000. The employment agreement expires on December 31, 2006.

NOTE 12. COMMITMENTS AND CONTINGENCIES (Continued)

Leases

On September 8, 2004, GCC, and the successor to NWT Partners, Ltd. (former landlord of the premises leased by the Company at 100 North Biscayne Blvd., Miami, FL), Brookwood Biscayne Tower Investors, LLC entered into a settlement of the then existing breach of lease and constructive eviction claims filed in Miami-Dade County Circuit Court (Case N0. 03-9655 CA 09). Under the terms of the settlement, (i) all of the parties released each other from any and all claims which any of them had against the other which had accrued to the date of the settlement; (ii) GCC's obligations for rent for the period from December 16, 2003 forward were reduced by approximately 20%; and (iii) the existing lease of the 25th floor at 100 North Biscayne Blvd, Miami was amended to provide that the Company would move to the 12th floor in the same building once the landlord builds, at its expense, new space (approximately 8,100 square feet) on such floor. During February 2005, the Company moved to the 12th floor which resulted in future lease costs savings for the Company of approximately 32%.

Litigation

Michael Greenfield v. Globaltron Communications Corporation and Andre Amouyal

In October 2003, Greenfield filed suit against Globaltron Communications Corporation ("GCC"), a subsidiary of the Company, in the Eleventh Judicial Circuit in and for Miami-Dade County, Florida. By agreement, the case remained dormant for over a year. In January 2005, GCC moved to dismiss the complaint. Upon receiving GCC's motion to dismiss the complaint, Greenfield amended his complaint to seek damages for breach of contract, violation of the Florida Uniform Commercial Code, unjust enrichment, breach of fiduciary duty, fraudulent inducement, and fraud. Greenfield also asserted a claim for rescission and added a defendant, Andre Amouyal. These claims arise out of an agreement regarding the transfer of GCC stock from Greenfield to co-defendant Amouyal for a total purchase price of $500,000. Amouyal paid Greenfield $250,000, but he never paid Greenfield the remaining $250,000. Greenfield seeks that amount, plus interest and related damages from the defendants. GCC was able to have the claim for rescission dismissed, and has filed its answer and affirmative defenses to the remaining claims.

Co-defendant Andre Amouyal filed a crossclaim against GCC, but GCC was able to obtain a dismissal of all counts except one for common law indemnification. Amouyal's claims also arise out of the transfer of GCC stock from Greenfield to Amouyal. GCC has filed its answer and affirmative defenses to the crossclaim and asserted its own crossclaim against Amouyal for common law indemnification.

The case was recently set on a July 31, 2006 jury trial docket, although both defendants have jointly moved to continue the trial of this case to a later date. That motion for continuance is scheduled to be argued on June 21, 2006. Further, Greenfield has filed a motion for leave to amend his complaint to seek punitive damages against GCC, but that motion is not currently scheduled for hearing. GCC has filed a response in opposition to that motion and intends to vigorously oppose it at a future hearing. Mediation attempts have been unsuccessful so far. The parties are currently engaging in discovery. GCC has been defending and will continue to defend itself in this matter vigorously.

NOTE 12. COMMITMENTS AND CONTINGENCIES (Continued)

Litigation (Continued)

Other

The Company is involved in various lawsuits, either as plaintiff or defendant, and is the subject of various claims, in the ordinary course of business. In the opinion of management, the outcome of these lawsuits and claims will not have a material impact on the Company's consolidated financial statements. The Company expenses legal costs relating to these lawsuits as the costs are incurred.

NOTE 13. EQUITY TRANSACTIONS

Preferred Stock

A total of 10,000,000 shares of the Company's Preferred Stock have been designated as "Series A 8% Convertible Preferred Stock" (the "Series A Preferred"). The Series A Preferred is entitled to receive dividends at the rate of 8% per annum only if declared by the Board of Directors. Upon any liquidation or dissolution of the Company (including certain deemed liquidations) the holders of the Series A Preferred are entitled to receive an amount equal to the amount paid for such stock plus any accrued but unpaid dividends before any amounts are distributed to the holders of any junior stock (including the Company's common stock). Holders of the Series A Preferred are entitled to one vote per share and, except in certain limited circumstances, vote together with the holders of the Company's common stock. Certain actions may not be undertaken without the separate vote of the holders of at least 70% of the then outstanding Series A Preferred, including without limitation (i) the issuance of any security senior or on parity to the Series A Preferred, (ii) any merger or consolidation of he Company or any sale of all or substantially all of its assets , (iii) the Company entering into material joint venture or similar arrangement, other than in the ordinary course of business, and (iv) making any changes to the Company's stock option plan and any grants thereunder. Shares of the Series A Preferred are convertible into shares on common stock initially on a one for one basis. The conversion rate is subject to adjustment upon the occurrence of certain dilutive stock issuances and in the event of stock splits, reclassifications and the like. As of March 31, 2006 and 2005, the Company had no shares of preferred stock issued and outstanding.

Issuance of Common Stock

On May 25, 2004, Winside Investments S.A. subscribed to, and purchased from the Company 3,571,428 restricted shares of the Company's common stock for $1.40 per share or $5,000,000.

On January 31, 2006, Hispanic Telecommunications Holdings S.A. subscribed to, and purchased from the Company 4,166,667 restricted shares of the Company's common stock, at a purchase price of $1.20 per share for a total of $5,000,000.

NOTE 13. EQUITY TRANSACTIONS (Continued)

Stock Options

On March 31, 2006, the board of directors together with a majority of the Company's stockholder's, approved an amendment and restatement of the 2000 Stock Incentive Plan of the Company (the "Stock Incentive Plan"), to: (i) increase the maximum number of shares of common stock par value $.001 per share (the "Common Stock") issuable under the Stock Incentive Plan by 10,000,000, to a total of 30,000,000; (ii) to increase the maximum number of shares of Common Stock that can be subject to awards granted to any participant in any fiscal year from 2,000,000 to 10,000,000; and (iii) to increase the maximum number of shares of Common Stock that can be subject to options granted from 300,000 to 1,000,000 to each non-employee directors.

Stock options granted pursuant to the Stock Incentive Plan shall be authorized by the Board of Directors. The aggregate number of shares which may be issued under the Plan, shall not exceed 30,000,000 shares of common stock. Stock options are granted at prices not less than 100% of the fair market value on the date of the grant. Option terms, vesting, and exercise periods vary, except that the term of an option may not exceed ten years.

In addition, Stock option grants made in connection with a non-employee director's beginning service must be 50% vested and exercisable on the date of grant and the remainder of the stock option will vest and become exercisable on the first anniversary of the date of grant. Stock option grants made in calendar years other than the calendar year in which a non-employee director begins service will vest and become exercisable as determined by the Board of Directors. The Stock Incentive Plan provides for a "cashless exercise" procedure with respect to all stock options granted under the Stock Incentive Plan if the Common Stock is quoted on a national market or on the Over the Counter Bulletin Board.

The Company granted 10,800,000 options during fiscal year 2006 to the directors, executives, employees and three consultants of the Company. The exercise price of the options was $.50. The options are fully vested. The Company also cancelled 2,284,000 of stock options issued to directors, executives and employees in the prior years.

Information with respect to stock option activity is as follows:

	2006	2006 Weighted Average Exercise Price	2005	2005 Weighted Average Exercise Price
Outstanding at beginning of year	2,909,000	$1.49	2,909,000	$1.49
Granted	10,800,000	0.50		-
Exercised	-	-	-	-
Cancelled	(2,284,000)	($1.49)	-	-
Outstanding at end of year	11,425,000	$0.55	2,909,000	$1.49
Options exercisable at end year	11,425,0000			

NOTE 13. EQUITY TRANSACTIONS (Continued)

Stock Options (Continued)

The following information applies to options outstanding at March 31, 2006.

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at March 31, 2006	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Prices	Number Exercisable at March 31, 2006	Weighted Average Exercise Prices
$0 - $0.50	10,800,000	10.00	.50	10,800,000	.50
$.95 - $3.13	625,000	5.96	1.48	625,000	1.48

NOTE 14. RELATED PARTY TRANSACTIONS

Since June 2001, the Company has purchased branded handsets and certain equipment from TU, LLC, a privately-held company based in Ohio. In June 2001, an employee of TU began providing consulting services to Phone1. Thereafter, the consultant became a full-time employee of Phone1 and now serves as an executive officer of Phone1. The spouse of the executive officer is a vice-president of TU and owns less than 5% of the outstanding equity in TU. For the years ended March 31, 2006 and 2005, the Company paid $1,381 and $57,400, respectively, for product purchased from TU.

For the years ended March 31, 2006 and 2005, the Company paid LF Marketing approximately $585 and $52,600, respectively, for services rendered in connection with the Company's street marketing campaign. As independent contractors, LF Marketing was responsible for the payment of costs and expenses associated with their services. LF Marketing is owned by the brother and sister-in-law of a non-executive officer of the Company.

The Company entered into a lease agreement with Francisco Maichel and Luisa Maichel, the brother and sister-in-law of a non executive officer of the Company, for a warehouse premise located in Hialeah, Florida. Under the lease agreement, the Company is required to make payments of $1,444 per month. The term of the lease is from year to year, commencing April 1, 2005. For the year ended March 31, 2006, the Company paid $15,806 under this lease agreement.

During the years ended March 31, 2006 and 2005, the Company paid Consad Corp. $0 and $78,500, respectively, for products and services. The Company's Chief Executive Officer is a former director of Consad Corp. Consad Corp. is a minority owner of MTG. See Note 1.

On March 11, 2006, the Company received consulting services from Teleservices Voice Data North America Corp ("TVD") in the amount of approximately $18,000. The Chief Technical Officer and a non executive employee of the Company are the directors of TVD . The Chief Technology Officer is also a shareholder of TVD's parent company.

Other related party transactions are disclosed in Notes 4, 6, 7 & 13.

NOTE 15. DE-REGISTRATION OF COMMON STOCK

On May 25, 2005, the Company filed Form 15 with the Securities and Exchange Commission to terminate the registration of the Company's common stock and suspend its reporting obligations under the Securities Exchange Act of 1934. The Company is eligible to deregister because it has fewer than 300 shareholders of record.